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Via Facsimile to 916.324.0908

Eileen Tutt

Cap and Trade Subgroup

Cal EPA Climate Action Team

1101 I Street

Sacramento, CA 95814

*Re: Comments on Cap and Trade Programs*

Dear Ms. Tutt:

NUMMI is the Toyota/GM venture in Fremont, California that employs 5500 team members and produces approximately 380,000 vehicles per year. Also, NUMMI has 25 affiliated major part suppliers in California that employ approximately 4000 team members. We appreciate the opportunity to comment on the issues raised at the recent Cap and Trade Workshop.

NUMMI sees environmental stewardship as a very high priority. Through its concerted voluntary efforts, NUMMI has been a model of conservation and environmental innovation over the years. Its systematic review of manufacturing processes has resulted in very high levels of source reduction, water conservation, energy conservation, recycling and the like. Along with all of its other environmental concerns, NUMMI is taking a strong interest in finding workable solutions leading to the reduction of greenhouse gases.

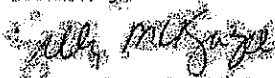
Because NUMMI has had such success through voluntary efforts, it truly believes that the most effective solutions to environmental concerns are those that allow industry flexibility to find improvements that work for their own business. For example, strategies involving energy conservation, energy efficiency and energy source substitution based on technically achievable cost effective standards are good solutions to reduce CO2. Such solutions allow for growth in the economy and retention of high paying jobs while improving prospects for the environment.

NUMMI is extremely concerned about potential mandates on CO2 control like "cap and trade." For those who have not already been working hard on the environmental front, cap and trade may certainly provide some incentive to conserve and use technology to reduce their emissions. Likewise, this kind of program will provide income to companies that take operations out of California and are left with emissions credits as a result. However, for those who have fewer remaining options to reduce emissions, cap and trade results in either 1) non-value-added costs that make the business less competitive with those in other locations or 2) discouragement of growth in manufacturing which brings a high tax base and well paying jobs to the state.

Currently cap and trade is being widely and seriously discussed as a way to reduce CO2. Typically, when people are talking about cap and trade, they have in mind something similar to the Kyoto protocol or one of the recently proposed California Greenhouse Gas targets, which would cap emissions at 1990 levels. The implementation of such targets has the potential of being quite harmful to businesses. For example, NUMMI now produces nearly twice as many vehicles as it did in 1990. If NUMMI were mandated to reduce its CO2 emissions from electric and natural gas usage to 1990 levels, an approximate 40% CO2 decrease would be needed to meet the target. Even if the cap did not limit emissions to 1990 levels, a mandated cap and trade program would be a huge disincentive to production growth in the future.

If you would like to discuss these issues further, please contact me or our consultant, Tony Fisher, at 916.833.0723. Thank you for considering our concerns.

Sincerely,

  
K. Kelley McKenzie  
General Counsel

cc: Dr. Alan C. Lloyd

Michael Gibbs  
ICF Consulting